



402-564-8142 • 2472 18th Avenue • Columbus, NE 68601 • www.negt.coop

To: Western/DOE Joint Outreach Team

From: Bruce A. Pontow, General Manager
Nebraska Electric G&T Coop., Inc.
2472 18th Avenue
Columbus, NE 68602
Office Phone: (402) 564-8142
Email: bapontow@negt.coop

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Re: Comments on Draft Recommendations of Joint Outreach Team (JOT).

Nebraska Electric Generation and Transmission Cooperative, Inc. (NEG&T) has a membership which consists of 21 rural public power districts and 1 electric membership corporation. These twenty-two members serve the retail needs of approximately 150,000 consumers in rural areas of the eastern two-thirds of Nebraska. NEG&T was incorporated in 1956, and administers, for our members, the contractual requirements for wholesale power supply/delivery and related issues.

NEG&T receives from Western Area Power Administration (Western) Upper Great Plains Region (UGPR), cost efficient hydro power consisting of, or portions thereof, 144 megawatts of year-round firm power, 50 megawatts of summer seasonal firm power, 325 megawatts of summer seasonal peaking capacity, and 95 megawatts winter seasonal peaking capacity.

Some of NEG&T's explicit concerns on the JOT recommendations are as follows:

1. Recommendations do not align with Western's core mission

Western's core mission is to market and deliver hydropower generated at the federal multipurpose dams to preference customers at the lowest possible rate consistent with sound business principles. However, it seems the central theme of the fourteen JOT recommendations focus on integrating variable energy resources (VER), such as solar and wind resources, and not strengthening Western's core mission.

2. Recommendations will increase cost to preference power customers

We are very concerned about the cost impacts of such recommendations. Many of the changes proposed by the JOT recommendations could result in imposing new or additional costs on UGPR customers for integrating power resources that do not benefit the customers we serve. In the rate methodologies described, UGPR customers could be paying for upgrades to transmission facilities in other regions. Would existing federal hydropower resources that serve local electrical needs be used to firm VER? This has the potential to benefit VER on the backs of the preference power customers. Furthermore, how much will the recommended studies cost? Who will pay for these studies?

3. Recommendations will result in centralized decision making

Another common theme in the JOT recommendations is a focus on shifting decision-making from each region to a more centralized, top-down approach. This is evident from the recommendations which intend to consolidate planning efforts to focus more on issues from a Western-wide approach. UGPR's needs and issues are different than other regions in the Western United States. Each region has encountered different political and business environments. That is the primary reason for the dissimilar historical development of each region. The needs of our local electric system will be sacrificed to centralized planning and decision making.

Conclusion

During the JOT process we heard that Western and its customers have been addressing the appropriate concerns and developing regional solutions to address regional issues. With that, we believe the JOT recommendations are unnecessary and many are frankly, outside Western's statutory authority to implement. The recommendations will expand Western's mission and in some instances duplicate some of the planning efforts that are already occurring on a regional basis. As such, these efforts will result in increased expense and electricity costs for our end-users. Minimally, prior to any of the JOT recommendations being pursued or cost/benefit analysis being conducted, NEG&T would suggest the following steps and the outcomes be discussed with the customers:

1. Determine if the recommendation is within the statutory authority to implement, if not remove the recommendation.
2. Estimate the cost to complete the study for each recommendation.
3. Determine who is going to pay to study each recommendation.
4. Estimate the amount of Western staff time required to study each recommendation.

NEG&T would like to thank the Western Area Power Administration (Western) and the Department of Energy (DOE) for the opportunity to provide comments on the Joint Outreach Team's (JOT) Defining the Future Draft Recommendation in reaction to Secretary Chu's memorandum of March 16, 2012.

In addition, NEG&T acknowledges and agrees with numerous concerns contained in the comments that have been filed by Mid-West Electric Consumers Association of Denver, CO, and its membership.